



PO BOX 201706
Helena, MT 59620-1706
(406) 444-3064
FAX (406) 444-3036

Economic Affairs Interim Committee

60th Montana Legislature

SENATE MEMBERS

KEN HANSEN--Vice Chair
ROY BROWN
FRANK SMITH
DONALD STEINBEISSER

HOUSE MEMBERS

SCOTT MENDENHALL--Chair
MIKE MILBURN
MICHELE REINHART
BILL THOMAS

COMMITTEE STAFF

ANDREW GEIGER, Lead Staff
BART CAMPBELL, Staff Attorney
CLAUDIA (CJ) JOHNSON, Secretary
LISA JACKSON, Staff Attorney for HJR48
PAT MURDO, Staff for HJR48 & SJR13

MINUTES

Wednesday
May 7, 2008

University Center - Rm. 330-331
Missoula, Montana

Please note: These are summary minutes. Testimony and discussion are paraphrased and condensed. **Exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents a page for copies of the document.**

Please note: These minutes provide abbreviated information about committee discussion, public testimony, action taken, and other activities. The minutes are accompanied by an audio recording. For each action listed, the minutes indicate the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This time may be used to locate the activity on the audio recording.

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COMMITTEE MEMBERS PRESENT

REP. SCOTT MENDENHALL, Chair
SEN. ROY BROWN
SEN. FRANK SMITH
REP. MIKE MILBURN
REP. MICHELE REINHART

COMMITTEE MEMBERS EXCUSED

SEN. KEN HANSEN, Vice Chair
SEN. DONALD STEINBEISSER
REP. BILL THOMAS

STAFF PRESENT

ANDREW GEIGER, Lead Staff
BART CAMPBELL, Staff Attorney
CLAUDIA (CJ) JOHNSON, Secretary
SUE O'CONNELL, Lead Staff for Children, Families, Health, and Human Services Interim Committee
LISA JACKSON, Staff Attorney for HJR48
PAT MURDO, Research Analyst for HJR48 & SJR13

Visitors/Agenda

Visitors' list, Attachment #1.
Agenda, Attachment #2

COMMITTEE ACTION

- ▶ Tour of the University of Montana Campus, Missoula
- ▶ Tour of the Mission Mountain Food Enterprise Center, Ronan

CALL TO ORDER AND ROLL CALL

9:30 a.m. REP. MENDENHALL opened the EAIC meeting at 9:30 a.m. He welcomed everyone to the University of Montana, Missoula. He talked about why the EAIC is here in Missoula. He said that EAIC is a committee that works on economic and business related issues in between regular sessions. It is a bipartisan format made up of senators and representatives from both sides of the isle. He thanked President Dennison and his staff for hosting the committee and putting the format together. REP. MENDENHALL thanked Bill Johnston, the Executive Director of the Alumni Association for his part in organizing the tour the committee will be enjoying today. Mr. Johnston had distributed an informational packet before the meeting started of the various programs and information on the UM campus. **EXHIBIT 1** The committee will be viewing some of these programs during their tour later today.

REP. MENDENHALL talked about the university research and commercialization, and said it is part of an interim study that has been assigned to the EAIC who will be focusing on this for the next several meetings. He said there is a lot going on in research at the university systems across the state. He noted several people in attendance from the Montana State University (MSU) Bozeman, and said that the two universities will be working together involving high technology research.

The secretary noted the role. Attachment #3 SEN. STEINBEISSER, SEN. HANSEN, and REP. THOMAS are excused.

Opening remarks University Center (UC) 330-331

10:05 President Dennison, University of Montana (UM), welcomed the committee to the campus. He talked about the development of higher education, the instructional, and the research side of education. He talked about his trips abroad and the wonderful higher education system they have in China and Japan. He said the need is great to bring the engines (Universities) together for businesses, which contribute to national competitiveness. He said that we, the universities and legislators, need to make every effort that Montana has a good return on graduates in businesses and the research field, and he informed the committee on the decline in enrollment around the state. He provided information about MonTech, a lab that the committee will be viewing on their tour where products are developed and introduced to the public. He thanked the legislature for this

study and their awareness in education.

President Dennison introduced Representative Ron Erickson, Professor Emeritus and Professor Walt Hill, Emeritus.

10:10 Representative Ron Erickson, Professor Emeritus, opened with remarks about when he first came to the UM 53 years ago as an associate professor in chemistry. He addressed how he received grants back in 1965, and was able to hire undergraduates to do research. He gave an overview of his accounts in the economic development arena not realizing that his research would make history. He thanked Walter Hill for getting this effort started and said that it was at the candidate forums that himself, a Democrat, and Walter Hill, a Republican started looking at the issue of sufficient state funding to ensure the University system can be competitive when recruiting in top faculty. He said it is the individual faculty who compete for research funding, and explained that this funding is very competitive in nature. He talked to the committee how research and development can occur and how it can lead to major businesses. He discussed the models for high tech and biotech, and how it has developed around the border of major university campuses.

10:15 Professor Emeritus Walt Hill, opened by giving background information of the campus and his experiences when he started at UM. **EXHIBIT 2** Professor Hill gave an overview of his accomplishments:

- He has raised over \$11 million in research grants over the years, and raised funds that the UM was able to use for the Experimental Program to Stimulate Research (EPSCoR), a program through the Department of Energy that supports basic research and includes a broad range of science and technology. He used seed funds from this program to leverage new positions and provide startup monies to bring in excellent researchers.

Professor Hill discussed the various needs for UM:

- ▶ lack space for research infrastructure,
- ▶ lacks core facilities,
- ▶ not enough people to run the facilities, in other words, no stable lines to attract people to come into, and
- ▶ lacks funds for biotech, clean industry, but there can be \$3 to \$4 return into the state's economy for every \$1 that is invested in research.

Professor Hill closed stating we need to invest more into Montana's economy. He said we as a state need to take a long-range view of what we need in the state. He said Montana needs to commit \$10 million for infrastructure for the next 10-years for each university then ask at the end of the 10-years 'how are we doing?' He said there's only one problem in biotech and other high tech companies, and that is "it takes time." The 10-year window will do this, but it could take longer. He informed the committee that we spend a lot in this state, but we don't spend money on education to keep our children here for the future.

- 10:25 Dan Dwyer, Vice President of Research and Development, UM, gave a power point presentation, and an overview on how university research programs create Montana jobs. **EXHIBIT 3.** The following topics were discussed:
- 1) Economic Engines for Montana.
 - 2) Research Universities are economic Engines.
 - Train students for employment.
 - Import federal dollars.
 - create research jobs, and
 - produce new products
 - 3) National Science Foundation(NSF), and National Institute of Health (NIH), Invest in Universities are:
 - Nonprofit
 - Industry
 - University
 - 4) Fueling the economic Engine (UM-R & D programs)
 - 5) Engines put people to work at UM:
 - 50% federal dollars spent on payroll
 - supports students
 - contractors hired, and
 - half the equipment and supplies from Montana suppliers.
 - 6) Economic Engine Output:
 - qualified workforce
 - commercializing new technologies, and
 - spin-off companies.

Questions from Committee Members:

- 10:36 REP. REINHART asked Professor Hill if he had \$10 million, how would it be spent, and how can we justify that expenditure? Professor Hill responded by telling the committee about the lack of dollars to finish buildings they have already started. He said it cost to retain research facilities. There are indirect cost returns for federal grants, and a portion of that money is used to maintain research facilities. He said the university would take excess cash to compete and bring in professors, for example a neurologist. He talked about the UM having to put all their resources together to come up with \$250,000 to retain a neurologist, but emphasized they cannot compete with other states.
- 10:40 SEN. BROWN asked if the EPSCoR programs require state matching funds. Professor Hill said at the beginning the state didn't have funds for this program. So they had to borrow from the Coal Trust Fund, but had to pay some of that back. He said yes, currently the program does require state funds.
- 10:42 REP. MENDENHALL asked someone to explain EPSCoR. Professor Hill responded that EPSCoR was built by the National Science Foundation, and

Montana was one of its first charter members. The east coast, Texas and California receive 95% of EPSCoR research dollars. He said the design of EPSCoR was to bring states up to research productivity and competitively to allow these states to compete with major units. He said it works well in major states. He said that EPSCoR has not been picked up by the Institute of Health (COBRA program). He talked about how the UM use these funds to leverage new positions that require state match to bring new faculty members to the campus.

- 10:44 REP. MENDENHALL asked Professor Dwyer to give the committee his perspective on the difference between a policy standpoint on statutory and a regulatory environment standpoint between Montana as a place for research and development at the university level like Texas, North Carolina, California, and others. He asked Professor Dwyer to explain how he has been involved with comparative dollars of federal research dollars per capita for Montana vs. those other states, and do these states allow the universities to have an equity stake in the spinoff businesses that they self-funded. He also asked if these states learned things that Montana can use. Professor Dwyer replied yes, there are a number of states that have made major investments like the University of Florida that developed gatorade, which has made the university millions of dollars. He talked about MSU research that has helped support their labs.
- 10:50 REP. MENDENHALL asked Professor Dwyer about mechanisms that would self-fund spinoff businesses. Professor Dwyer said they have a limited revenue flow in terms of licensing this type of technology. He informed the committee that universities retain newly developed products, but they patent them and then license the products to a company.
- 10:52 REP. MENDENHALL asked about the federal budget deficit, and what the outlook is for continued federal funding toward the NSF, and the NIH. Professor Dwyer said that the funding for NIH has been "flat funded", and with inflation they have had a decrease in funds the last several years. He said the rapid growth that took place a decade ago has slowed down, and NIH is seeing this slow down. He said in regard to NSF - Congress is talking about building their budget for the health area and physical sciences in which Montana is falling behind on. He said there are opportunities for growth because it is all on a competitive base. He said it is important that Montana make these investments in the physical sciences area so the universities can also make a competitive run at the money. Professor Hill interjected stating that funding for NIH and NSF fell from 30% to 10% in the last couple of years. On the positive side, he said that the presidential candidates are all declaring their desire to see an increase in funds for this type of research.
- 10:53 Commissioner Sheila Stearns, Montana University System (MUS), gave a brief overview on the University System research. She acknowledged the 2001 Legislature, and recognized the former and late Representative Dave Brown from Butte that promoted funds for the university infrastructure. She informed the committee they will be touring the research pharmacy. She discussed the Legislature of 1989/1991 Senate Finance and Claims committee voting on the

funding for the school of pharmacy, and she stated it almost didn't get through. In 1992, she spent two months in Washington D.C., half in Senator Burn's office, and half in Senator Baucus's office to request grants and to learn how Montana can be more competitive. She talked about leverage and being competitive in the research area. She urged the committee to continue their study on education and research. Commissioner Stearns introduced Tyler Trevor and Brad Eldredge.

11:00

Brad Eldredge, Director of Economic and Institutional Research, UM. informed the committee that he works in the Commissioner's office. He gave a power point presentation on university research and economic development. He addressed:

- knowledge spillovers -
 - ▶ generated by research into the economy.
 - ▶ greatest impact in universities home regions, and
 - ▶ how R & D innovations are important.

Mr. Eldredge gave an overview of his perspective on research and the link between university research and economic development. He talked about the universities producing spinoff businesses and their licenses used by companies in Montana that diversify Montana's economic phase. For fiscal year 2007, 115 patents were issued from the university's research, and there are currently 154 active business licenses, and 96 of those are in Montana. He said this allows Montana's economy to become less volatile as we become less independent on just one or two key industries. He said that one of the Board of Regent's strategic goals is to promote economic development by increasing access and increasing efficiency in the university system. He said this will be accomplished by the enhancement of the university graduate programs.

Summary Points:

- ▶ Funds for high tech and university research come primarily from the federal level, having a greater economic impact since they are from outside the state's economy.
- ▶ Montana received \$172 million in research dollars for fiscal year 2007, 66% of which come from the federal level.
- ▶ Research expenditures are expected to reach \$240 million by 2010.
- ▶ Montana is below the regional average for research funding in total dollars, but above the regional average when adjusted for inflation.
- ▶ Montana has far fewer graduate students than comparable states in the region.
- ▶ Trend of losing college graduates who move out-of-state is reversing. New information from the Census Bureau (American Community Survey) show a net in-migration of college educated individuals.

11:17 a.m.

REP. MENDENHALL adjourned the committee at 11:30 a.m. for the UM campus tour.

TOUR - of UM Campus

Staff Note: The following tour involved a series of highlights on research by faculty in their labs. These minutes do not attempt to properly record the specific components of the research given the specialized and technical nature, but rather to highlight the overview of how the research fits into commercialization, economic development, and the future employment and entrepreneurial activity of University students.

11:21 Tony Rudback PH.d. MBA - directed the committee tour in McGill Hall.

11:30 The first stop was at the lab of Professor Brent Ruby, Work, Physics, Exercise, and Metabolism (WPEM). Professor Ruby introduced his group and Dr. Dusty Slivka who presented some of the history of WPEM. They talked about the bicycle marathon/project the team will be doing this summer experimenting with energy, muscle tissue, and blood levels while they ride through Death Valley. He said the group will be doing an endurance project on their bicycles, 900 miles in 9 days, and 2,100 miles in 21 days. Professor Rudy explained that he relies on both undergraduate, graduate students and post-doctorate students to do the core of the research. He explained that post-doctorates are individuals who have completed their doctorate and are interested in continuing on in a research capacity to build their professional vitae. Professor Rudy explained his collaboration with the military, saying he has a representative from the air force and his research is focused on stress and conditioning on the human body, specifically in high altitude situations. He said the Department of Defense is interested in this type of research given high altitude combat locations such as Afghanistan.

Depart for Skaggs Building

12:00 p.m. Professor Walt Hill, Emeritus, presented background information on his research. Professor Hill continued his remarks from earlier by explaining that his continuation of research in the area of chemistry allows for a continuance within faculty in Missoula. He says he has far fewer research students than full time faculty, usually just one or two.

12:15 Sack lunch at the Skaggs building.

Speaker: Dr. Tony Rudbach, Biomedical research / GlaxoSmithKline (GSK), gave a presentation on his research in Hamilton developing vaccines that are used throughout the world. He explained how GSK came to acquire the existing pharmaceutical operation in Hamilton, and is working on individual curriculum within the University system to develop a workforce that can meet industry needs. He said if a research university was not located in such a geographic proximity, a company of this size would not be feasible in a rural county.

Speaker: Dr. David Opitz, Visual Learning System (VLS), Dr. Opitz talked about a company called Overwatch. He discussed:

- ▶ working with venture capital on SBIR-NASA, and
- ▶ GIS - Global Integrated System.

Dr. Opitz presented a video that MSNBC showcased from a business that was

developed from his research. This show commented that even in rural states a university campus and the transmittal of intellectual property through electronic means can allow a small populated state to get the attention of international markets.

1:15

College of Health Professions and Biomedical Sciences

- ▶ Dean David Forbes, explained how the different labs coordinate with one another, saying that raw research at the front end with graduate students is fed into professors labs who are working on more specific research with products as outcomes.
 - ▶ Dr. Vernon Grund, Chairman of Pharmaceutical, showed the committee the actual work units graduate students work on, and explained how the relationship between a professor and graduate students interact. He sighted the fact that Rep. Milburn's daughter had worked with him and how this had led to her employment in a related research field.
 - ▶ Dr. Richard Bridges, he explained in addition to the details of his specific research between and among universities leads to an economic benefit for all parties. He said he and a colleague were looking at how to start a business using the results of their organic chemistry research, and that as they pursued grant opportunities they coordinate to maximize the benefit to both (state) universities.
 - ▶ Dr. John Gerdes, Translational Medicine P.E.T. on imaging agents of live brain to help develop:
 - ▶ useful models how drugs interact with each other,
 - ▶ depression, and
 - ▶ Post Traumatic Stress Disorder (PTSD)
- Dr. Gerdes showed the committee and assembled group some brain imagery photos from actual brain injuries from Improvised Explosive Devices (IED's), and explained how his research was focused on how to better treat these injuries. He explained that discoveries in his research and others are published so that all other researchers can fit together components and bring conclusions of their research and apply it to their own research in areas that are applicable.

2:30

Board Bio Bus – Transportation for Legislative Committee and official party

2:45

The committee members arrived at MonTec, and was given a demonstration on the process of BioMax by Brian Kerns. Mr. Kerns gave the committee a sample of this technology that was built into a full size semi-truck that was parked outside the MonTec facility. This technology turns wood chips and construction waste into gasoline and related fuels. The entire system was developed and is currently operated through grants to explore the feasibility of commercial use in areas, such as use in high construction activity, and also in logging operations.

- 3:00 Bill Johnston of the UM explained the nature of the MonTec facility, stating it is a laboratory for economic development. The idea is to provide space for start-up companies using new technology. He said that nationally research has found that by putting these people in one facility they collaborate on their endeavors and share information about their financial resources and outside opportunities.
- 3:15 Dr. Paul Miller, Sustainable Systems, MonTec, addressed the committee in the MonTec Boardroom. He explained how his research as a doctoral student led directly into his company that turns Montana grains and seeds into oil products for use in culinary endeavors. He explained how he contracts with Montana farmers for the grains he needs for the oil pressing process. He showed photographs of his facility in Culbertson, and explained the challenges of a small operation such as his in the large food oil market. He was asked from an unidentified member of the audience if he had taken business classes since he sounded more like an MBA grad than a scientist. He said that the business end he had learned on the job rather than through academic means. **EXHIBIT 5**
- 3:45 Chuck Eubank, Aquilavision, talked about his operation and how it has developed technology that deals with offender monitoring. In addition to the traditional "bracelets" used for house arrest and other restrictive court orderings, they are working on technology that would send off a signal to law enforcement dispatch when a person is within a certain proximity of an individual for which they are not allowed to be near, such as in a restraining order. He said this is a cost savings to jurisdictions because it prevents more lengthy incarcerations, victim services, etc.
- 4:15 Dick King, Missoula Economic Development Corporation was not available to do his presentation.
- 5:15 Board Bio Bus - Transported the committee members back to the University Center (UC) building for the reception
- 5:30 Reception at UC rm 330-331.

EAIC MEETING RECESS

REP. MENDENHALL recessed the committee until 8:00 a.m. May 8, 2008

Thursday, May 8, 2008

Visitors/Agenda

Attachment #1
Attachment #2

00:00:07 REP. MENDENHALL reconvened the EAI Committee at 8:41a.m. He opened by thanking everyone for their attendance here today. The secretary noted the roll. SEN. BROWN, SEN. HANSEN, SEN. STEINBEISSER, and REP. THOMAS are absent. (Attachment #3)

- Update on State Fund from State Fund liaisons, Reps. Milburn and Thomas

00:00:30 REP. MILBURN updated the committee on State Fund. He talked about the new building that State Fund is in the process of building due to lack of room in the old building. He said that the Montana State Fund, Workers' Compensation rates, are higher than average of the United States. He named some of the reasons and one is the dollar amount of the claims. Another reason is the period of time that people are on partial disability. He said people in Montana are on disability longer than the average person in the United States. He said that State Fund has started an aggressive safety and education program. State Fund is also getting out and educating policy holders on the importance of getting people back to work. He said it is a known fact that if you can get people back to work in a short period of time they will stay back to work. He said because of this interim committee's bill last session, State Fund was able to lower their rates by 2%.

- HJR 48

00:00:54 REP. MENDENHALL gave an overview of HJR 48, and said it could be used for possible legislative proposals. REP. MENDENHALL and the committee discussed mandated policies.

- Update on Rule Review, Bart Campbell, LSD Staff Attorney

00:01:13 Bart Campbell, Staff Attorney, distributed and addressed the Administrative Rules regarding recently reviewed rules. **EXHIBIT 6**
1) Alternative Health Care Board - to conform to national standards and amends apprenticeship and licensing requirements for midwives.
2) Board of Realty License - amends unprofessional conduct rule to allow rebates or reduced commission.

He closed stating that he has not received any requests from the members. He noted it has been a calm interim and hoped that the committee makes it through without any contention.

- Discussion of Mandates

00:11:15 Frank Cote, Senior Director for External Relations - Blue Cross Blue Shield (BC/BS), gave a brief background on mandates. He talked about America's Health Plan. He said when there are mandated benefits it will cost about \$25 a month per person. He talked about the people that cannot afford health benefits. He discussed the

different thought process at BC/BS, and said they feel it is appropriate to be mandated. He asked the committee to consider mandates when they work on this study for public policy. He said the legislature should provide some type of credit if the benefits are mandated. He said somewhere between 15% to 17% of Montanans are not covered by insurance. He talked about the mental health mandate, and stated it should be covered by policy. Mr. Cote closed stating that by the same token if you start looking at these mandates, and if people cannot afford to purchase health insurance they cannot afford mandates.

00:19:17 Aaron Czyzewski, Vice President of Government Relations, American Cancer Society, distributed his power point presentation. **EXHIBIT 7.** He outlined and explained each frame, and what they represent.

Cancer in Montana:

- ▶ What are health benefit mandate laws?
- ▶ Why do we support them?
- ▶ What do we know about their costs?
- ▶ What's Happening with health insurance cost and coverage?
- ▶ Why are costs going up?
- ▶ Access to care through the cancer lens.

Mr. Czyzewski addressed the 4 A's of meaningful health insurance.

- ▶ Adequacy
- ▶ Availability
- ▶ Affordability, and
- ▶ Administrative simplicity

Mr. Czyzewski stated that health benefit laws protect access, removes barriers, and helps save lives. He said that rising premiums are a serious problem, yet it shows that drivers of health care costs for businesses for in-patient and out-patient hospital care, physician care and prescription drugs. Absence from that list is mandated. He said if all individuals had access to coverage, and early detection screening for cancer is a lifesaving medical practice. He closed suggesting that a commission be made to study health care reform, including mandated benefits in Montana. He said it would be fair to include specific criteria to fairly evaluate any proposed health care reform.

0:36:38 Jan VanRiper, State Auditor's Office, thanked Frank Cote for his comments on mandates. She distributed handouts **EXHIBITS 8 and 9.** She talked about mandated costs in Texas and their experiences associated with cost mandated benefits. She discussed:

- ▶ Primary care.
- ▶ Repeal mandated benefits.
- ▶ Health issues not covered.
- ▶ The argument to allow people a choice and purchase only the benefits they need.
- ▶ Individual market - high-risk equals higher costs, and low-risk equals lower premiums.

- 02:45:30 Ms. VanRiper closed by asking the committee to repeal mandates and to research how mandates provide a savings.
- 02:47:53 Riley Johnson, State Director of Montana Federation of Independent Businesses, (MFIB), addressed a handout EXHIBIT 10 distributed earlier by Pat Murdo, Legislative Staff, on Mandated Insurances. He said there are over 3,000 business owners in Montana that do not carry insurance on their employees, and over 1,300 of these business owners are eligible for individual insurance. He said that the uninsured group is growing and people are using Workers' Compensation as health insurance. He said this issue was presented to the legislature back in the early 1990s. He asked the committee to look at the draft bill that Ms. Murdo distributed to see if they could do something to draft legislation.
- Discussion of Proposals from Healthcare Forum Coverage Committee**
Claudia Clifford and Larry White, members of the coverage committee addressed the EAI Committee.
- 02:55:39 Larry White, Assistant Professor of Public Health, UM, talked about the Health Care forum that took place in Helena in 2007. He said the discussion at the forum was the changes that are taking place in Montana on the health care reform.
- 0:59:46.4 Claudia Clifford, representing AARP Montana, gave background information on AARP and its members. She said that AARP is looking at what they can propose at the next legislature and expanding what is currently out there. She talked about "purchasing pool coverage." She said that a previous study done by DPHHS on the state planning grant has shown that the target for addressing the uninsured are the smaller businesses because they struggle so much trying to find coverage. She said that Montana's small businesses consist of 2 to 9 employees. Ms. Clifford discussed:
- ▶ Chip program
 - ▶ Montana Comprehensive Health Association (MCHA) - group market
 - ▶ Proposal to MCHA Board, on insurers of their funding for mandates, and
 - ▶ Discussion of Other Legislative Proposals (Staff Paper)
- 01:06:06 Pat Murdo, Legislative Staffer, addressed and explained the unofficial bill draft copy LC7777. **EXHIBIT 10** She said the bill draft will sunset June 30, 2009, and stated that it will not take away all of the mandates. Her draft excludes individuals limited health benefit plan, which is described in section 8, pages 8 & 9, and she explained other choices on page 10. She said the rest of the bill identifies what the policy mandates are. She explained the handout she had distributed earlier on "Mandates and Insurance in Montana". **EXHIBIT 11**

Questions from the Committee:

01:13:20 REP. MENDENHALL and the committee discussed Exhibits 10 and 11, and decided they will need more time to review all of the information.

REP. MENDENHALL asked for someone representing the insurance industry to address the light mandate policy.

Public Comment:

01:25:20 Tanya Ask, Vice President of External and Provider Relations, New West Health Services, talked about two policies in the past that had limits based on the number of mandates that were included. She explained a provision that was requested by New West for individuals several years ago. New West offered a low-cost policy, but didn't offer in-patient health care. Ms. Ask discussed the pilot program called "bridges". She said this program was used by individuals who did not have health insurance, and gave an example of a person on the program taking medication that exceeded the actual cost of the policy and said that is one of the reasons it didn't work.

01:25:27 REP. REINHART questioned Frank Cote about us missing the boat on some of the biggest cost drivers, and stated this could be a small percentage of the big things that are making health care premiums increase. She wanted to know how they arrived at the \$25, and did they take into account money that could be saved for some of the health benefits, such as prevention. Mr. Cote said the \$25 figure came from the actuaries in 2006 when they had an analysis done of the mandates. Mr. Cote said the \$25 is a percent of the overall premium. REP. REINHART asked if mandates are adding to the costs of an individual policy, and how much are the mandates adding to the cost of health care insurance in general. REP. MENDENHALL interjected and clarified when mandates cost so much then a complete mandate light would be reflected against those costs per policy per month.

01:32:21 REP. REINHART asked Claudia Clifford about her recommendation to set up a commission for the long-term plan, which is a good plan, but she wanted to know about the short-term plan; what can we do now, people are hurting now, people are going bankruptcy now, and people are without healthcare coverage. She asked if we take steps to improve health care coverage now, can we reduce the cost in the upcoming 2009 session. Ms. Clifford replied by reiterating the 3 proposals she had addressed earlier, which are: 1) Insure Montana, 2) coverage for kids, and 3) the high risk pool. She talked about four workgroups. One workgroup is addressing best practices which would address costs. She talked about personal responsibility and getting the consumer involved in health care decisions that would dovetail with a workgroup on transparency issues. She said there is a proposal for participants regarding health information and technology, which would address the efficiency of health care expenditures. She gave an example, "that if a good technology system is lacking, then there is a lack of ability to find out what the test results would be at the Helena hospital when you had been transferred to the Billings hospital." She said there are broader issues then getting health care coverage for some people, and have other proposals. Ms. Clifford informed the committee they are welcome to participate in any of the four forums. REP. MENDENHALL responded that another interim committee is also working on these issues through the SJR 15

subcommittee. REP. MENDENHALL informed everyone that the American Cancer Society presentation will be posted on the EAIC website.

01:35:31 Rep. Mendenhall opened the hearing for public comment.

Public Comment:

01:36:29 Marty Otershuck, representing National Alliance on Mental Illness (NAMI), Missoula, talked about the parity bill that NAMI worked on to get it through the last legislature. She said the parity bill meets a great need for consumers that have families with mental illnesses. She said there are several versions of a bill that is in the process of going through Congress, and one version has currently passed the house, but it deals only with group insurance which is a problem with people in Montana that are trying to purchase individual insurance. She explained the difference between mental health and mental illness - mental health is what everyone wants because it is considered to be wellness, and mental illness is a brain disease caused by neuro transmitters that affect the brain.

01:42:23 Dr. Steve Seninger, Research Professor, Bureau of Business and Economic Research, UM, distributed handouts which he discussed. **EXHIBITS 12 and 13**

- Support for the Annie E. Casey Foundation.
- Montana Kids Count program, and
- The \$25 premium

Dr. Seninger addressed his research regarding the cost and affordability of health insurance in Montana, and the major cost impact in the last three years. He said that Montana has one of the highest uninsured rates for children in the country. He addressed reducing costs and increasing coverage, such as the Healthy Montana Kids initiative.

01:45:13 Daniel Morehead, representing self from Missoula, has also been involved with NAMI. He talked about his chronic depression and involvement with mental illness. He addressed mandates for treating mental illness stating this mandate will prevent situations later. He said that everyone will receive benefits under mandates. He discussed a study in the American Journal of Medicine, March 30, 2006, that states when mandates are implemented with insurance for behavioral health care it can improve insurance protection without increasing total costs.

01:50:46 Alexandra Volkerts, Disability Rights Montana, said they are a federally funded civil rights law firm for people with disabilities, and represent people with all disabilities. She addressed costs stating how do you repeal mandates, who benefits, and what is the best way to increase access to health care. She said these questions provide an excellent focus for analyzing any health proposals. She said that some sort of disability affects every family, every community, and every age group. She urged the committee to look at each mandate to determine if it affects the cost of health insurance.

01:55:35 Rep. MacLaren distributed a list of additional options for expanding health coverage through the HJR 48 study. **EXHIBIT 14** He talked about the two options for the

committee to consider; 1) will it provide employees pre-tax advantages, and portability, such as, will it make all policies available - low premiums for full coverage, and 2) effectively turn income tax dollars into insurance premiums by extending individual and employer tax credits for new coverage, or 50% of premium cost.

01:58:38 REP. MENDENHALL closed the hearing on HJR 48. He stated that HJR 48 is still at the investigative stage, and feels that the committee needs to address the crisis that is before us today. He thanked the panel members and the public that addressed this issue and for their input. He said this will be a long-term issue that committees will be addressing in the future.

--SJR 13 Discussion on Value-Added Agriculture Legislative Proposals

02:00:40 Rep. Mendenhall opened the hearing for public comment on SJR 13.

Public Comment:

02:04:30 Brian Gion of the Montana Cooperative Development Center (MCDC), informed the committee that MCDC works with groups of people throughout the state of Montana. Mr. Gion distributed two handouts which gives further explanation about MCDC.

EXHIBIT 15 and 16 He gave an overview of:

- Cooperative Associations - for trade purposes - purchase and distribution of commodities.
- Agricultural Associations - Used for promoting or improving production
- Cooperative Law, Center
- Food Innovation Centers in other states: Nebraska, Idaho, and New Mexico
- Value-added agricultural products; hog processing plant, biofuels, etc.
- bio-mass; oil seed coops, wind energy, poultry growers coop
- Farmers markets, and many others. See exhibit for full explanation.

Mr. Gion also gave an overview of MCDC's success story, e.g., have assisted 89 entities since its inception in 2000; have directed and managed 33 feasibility studies and 36 business and marketing plans; assisted 12 entities with applied research, provided legal assistance to 27 projects, provided financing for 28 projects and training opportunities for 44 projects. The outcome has formed 25 cooperative, paid out \$8.3 million in wages, and \$113 million to the economic sector, e.g. construction and utilities. He said that MCDC has used \$455,000 in state fund to leverage \$3,668,955.

02:10:12 Dr. Neva Hassanein, Associate Professor, UM, told the committee that she is involved in the environmental studies program. Her expertise is in agriculture sociology. She talked about interviewing key stakeholders on how to encourage food development in Montana. Dr. Hassanein introduced Jessica Babcock who will be addressing her research on re-developing food processing sectors in Montana, and exploring how food innovation centers might address existing gaps and serve Montana agriculture and consumers.

02:12:00 Jessica Babcock, UM graduate student, distributed a handout which she addressed. **EXHIBIT 17** She talked about interviewing four different directors of food innovation

centers in other states, and one in the province of Canada. She described the successes, challenges and suggestions expressed by these interviewees. She said the interviews are not over with at this time, but she will share with the committee and other interested parties when they are completed. She talked about some of the food centers pilot projects and their locations. She described and explained each of the areas structure and history, the services they provide, the groups that use the centers, the markets that are served, and how they are funded.

- Lincoln, Nebraska's food processing center has a pilot project plant that is affiliated with the University of Nebraska, but she said the organization was created by the Legislature so they have to stand alone and make their own decisions.
- Caldwell, Idaho, food technology center is also involved with the College of Agriculture and Life Sciences at the University of Idaho. She talked about the clients and the processing and production that go through the Center's 7,000 square foot kitchen.
- Leduc, Alberta - their food processing center is 100% government owned and operated. She said the center provides expertise in the form of meat, cereal, dairy, and bakery scientists. The center assists everyone from small enterprises to industry organizations and multinational corporations.
- Taos, New Mexico's food center is a program under the Taos County Economic Development Corporation (TCEDC). The food center is operated as a private non-profit organization, and is used to assist structural poverty, dead-end jobs, and unemployment that affect the people of northern New Mexico.

--Review of Possible Legislation (staff paper)

02:22:04 Pat Murdo distributed information on SJR 13. **EXHIBIT 18** She addressed each of the four issues that the committee could use for draft legislation: 1) Increase the number of food innovation centers, 2) encourage in-state collaboration for value-added agricultural production, 3) increase funding for meat inspectors, and 4) increase vocational technical college budgets to respond to local value-added agricultural production needs.

--Directions to Staff, Committee Action on Bill Draft Requests

02:25:09 REP. MENDENHALL asked Mr. Dion about proposed legislation dealing with 35-15-401, MCA, 2007, Classes of preferred and common stock, and changing laws to encourage and support legislation. (see Exhibit 12, page 4) Mr. Dion said there was proposed legislation that had come across his desk, but found that it wasn't necessary. REP. MENDENHALL said in the interest of enhancing more cooperative development opportunities in Montana as it relates to value-added agriculture, he asked the committee members if they were familiar with other states' laws, and are there any impediments that exist in Montana law that are barriers to entry for coop development formation that the committee could look at to enhance programs in Montana. Mr. Dion said in a cooperative world it is to serve your members, but to bring value-added ag in is what they are looking for and attract investors. He talked about cooperatives being protected because of stockholders investing in them. He addressed the true spirit of a cooperative business model is to service its members

and not the outside people. Mr. Dion talked about barriers and people needing to work together. He said that industries need to look at how they can compliment each other. Mr. Dion said that Montana and Wyoming need to change laws to encourage cooperatives. He said one member, one vote.

02:34:15 REP. REINHART and Ms. Babcock talked about public partnerships and innovations that have been passed off from universities to the public. REP. REINHART asked about getting access to capital funds. Ms. Babcock responded to the universities passing off partnerships and innovations stating it is a natural extension when an university being involved with innovation centers in this type of work. She said there is always education going on and enterprises that are always starting. She said that workforce training is an issue in Montana. Ms. Babcock addressed capital funding for the workforce centers, and said that directors develop a plan than try to find the funds either through grants or industry. She said these enterprises do have problems trying to find the workforce to run the centers.

02:37:05 Sen. Smith and Mr. Dion talked about finding enough employees in Shelby to do the job if a packing plant is built and having full time trained staff. Mr. Dion said the packing industry is a very volatile industry for workers, but he said there is full time trained staff present all the time.

Public Comment on SJR 13 - Value-added agriculture:

02:42:30 Ginny Merriam, Public Information/Communication Officer, City of Missoula, distributed an article on John Flynn, a 5th generation rancher that lived in the Missoula area. **EXHIBIT 19** She talked about:

- The farmer's markets that will be starting for the summer months in Missoula and Clark Fork and she said that Clark Fork has 40 some vendors. She said beside the vendors selling vegetables, they also sell chicken, beef, and sausage.
- Montana needs to find a way to market Montana's hamburger and not export cows.
- Montana needs to make the bread, not sell the wheat.

02:44:16 Ms. Merriam closed stating that it just makes good sense for Montana to invest in value-added agriculture.

02:44:33 Arthur Dunkle, Director of the UM campus restaurant, talked about the Farm-to-College program he is involved with in the UM kitchen. He said last year he purchased \$97,000 for farm-to college products, and this year he is looking at purchasing \$241,000 worth of farm-to-college products. He talked about the Western Montana Food Growers Cooperative, which is a critical operation for the UM kitchen, who also supports the local food system. He talked about the various businesses in Montana that he contracts with for food in the kitchen. He encouraged the committee to make sure they tour the Mission Mountain Food Center in Ronan. He talked about the need for many more of these centers located across the state of Montana.

- 02:50:52 Crissie McMullan, Policy Director, Grow Montana, informed the committee that Grow Montana is a coalition of many people that have created a Montana base food system, and the coalition is made up of farmers, ranchers, processors, distributors, and the communities. She said the coalition explore policy to figure out what works for Montana to support a Montana food based system. She distributed a handout on policy update supporting value-added agriculture for 2009. **EXHIBIT 20**
- 02:53:48 Billie Leah, Executive Director, Mission Mountain Food Center, welcomed the committee and said she is looking forward to taking the members on a tour of the center. She talked about small business development and developing new products at the center that can be commercialized. She discussed a project for gluten free grain here at the UM. She said there are three businesses that are using a gluten free products called protiena. There are four products that have been developed from protiena, and one is pizza dough that is made at the center and marketed in Missoula, and the other three The success stories of these companies are a spinoff from the university on commercialization. She said there is no food science in Montana, nor commercialization of products. She addressed the farm-to-college program, and said that Montana needs to be more competitive with surrounding states, and keep products here in Montana. She hopes the Legislature can provide some leadership to that effort here in Montana.
- 03:02:13 REP. MENDENHALL asked Andrew Geiger, Lead Staff, to guide the committee which direction they need to take. Mr. Geiger replied that he has received good comments from the committee members during their tour of the UM campus yesterday. He will begin preliminary discussions with the faculty at the campus and replicate the experience from the tour. With the UM being a land grant college there are different types of research that have resulted in businesses that are surrounding the campus borders; these businesses are hiring undergraduates students part-time who then become full-time employees after they graduate. He talked about the different types of businesses that have located their businesses next to the campus, such as classified work with the Department of Defense, and others. He talked about the commercialization of industries that are spinoffs from research at the university. He informed the committee he will be putting together the agenda for July 17 and 18, 2008 meeting to be held at Bozeman where they will also tour the labs that do research and how they are involved in commercialization and spinoff businesses from the research. He said the next and final meeting will be in Helena on September 12, 2008. The committee will be doing statutory business by reviewing agency bills and deciding what needs to be reported to the next legislature. He suggested to the committee if they want a bill they will need to decide today in order to give the staff time to draft that legislation for the September meeting.
- 03:03:30 REP. MENDENHALL discussed the committee's studies on HJR 48 and SJR 13. He asked the committee if they had any input or ideas that relate to these two bills, and if they want committee bills from these two studies. He said the draft that Ms. Murdo had put together on mandate light was merely for the committee to consider. He said the committee can address the issue of the uninsured in Montana, but they do not need any committee bills at this time. He said committee bills are not necessarily

a measure of success in the interim process, and a lot of good work and information has come out of this committee's studies.

- 03:06:40 Rep. Milburn commented that we as a committee have good ideas and a starting point where we can carry on at the next interim. He said there were good comments at the hearings, and he hopes the committee will continue along this line.
- 03:07:25 REP. REINHART commented said she is willing to take on the health insurance issue for the long-term to help bring all the diverse stakeholders together to find common ground. She said that by expanding the program for the short-term for Insure Montana would really help, especially for sole proprietors. She talked about the funding and how it would be paid for. She discussed expanding coverage for kids that are currently not insured and the problem of finding the revenue to fund it. She liked REP. MACLAREN'S ideas to explore Sections 20-125, the cafeteria plan to expand affordability, coverage, and to look at the pre-tax advantages, and that she is interested in the tax credit idea. She also feels that the Governor's office will not be supportive of tax credits that would be offsetting revenues, but she feels that Montana can live within its means by doing this. She stated there can be a good balanced budget by addressing these important problems.
- 03:09:32 REP. MENDENHALL said it sounds like there is support for the committee to continue their work on the health care issue. He asked Ms. Murdo to work with the committee to provide guidance on this issue.
- 03:10:56 REP. MENDENHALL asked the committee if they would like to visit more on SJR 13. REP. REINHART replied that the health care side needs to be focused on more than the value-added agriculture side. She talked about the farm-to-college program and felt they are doing well. She stated that Montana does need more food innovation centers, and said that economic development can be expanded to help with capital funding.
- 03:11:09 REP. MENDENHALL encouraged the committee to work with the Governor's Office of Economic Development, and others in the economic development community to make sure they are all working together.
- 03:11:53 REP. MENDENHALL recessed the committee to travel to Mission Mountain Food Enterprise Center in Ronan.
- 2:30 p.m. The committee enjoyed lunch, which a lot of it was developed and packaged at the Mission Mountain Food Enterprise Center. The center's staff presented information about the facility and gave the committee a wonderful hands-on tour of the facility.
- 4:30 p.m. The committee was adjourned on completion of the tour.

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